

Burgin

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79th Annual Report

of

Chief Consolidated

Mining Company

FOR THE YEAR ENDED
D E C E M B E R
T H I R T Y - F I R S T
NINETEEN HUNDRED
AND EIGHTY SEVEN

Including 1987 Annual Report on Form 10-K
as filed with the Securities and Exchange Commission

Chief Consolidated Mining Company

General Mining Offices: Eureka, Utah 84628

Executive Offices: 866 Second Avenue, New York, N.Y. 10017

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COMMON STOCK

<u>1988 Market Price</u>	<u>High</u>	<u>Low</u>
First Quarter	9 $\frac{1}{8}$	6 $\frac{1}{2}$
Second Quarter	8	6 $\frac{3}{4}$
<u>1987 Market Price</u>		
First Quarter	8 $\frac{1}{8}$	6 $\frac{3}{8}$
Second Quarter	10 $\frac{1}{2}$	8
Third Quarter	9 $\frac{3}{4}$	8 $\frac{3}{4}$
Fourth Quarter	9	6 $\frac{1}{4}$
<u>1986 Market Price</u>		
First Quarter	6 $\frac{1}{8}$	5 $\frac{1}{8}$
Second Quarter	6 $\frac{1}{2}$	5
Third Quarter	5 $\frac{1}{2}$	4 $\frac{3}{4}$
Fourth Quarter	6 $\frac{1}{2}$	4 $\frac{3}{4}$

Chief Consolidated Mining Company common stock is traded on the Pacific Stock Exchange (Ticker Symbol: CFCP) and NASDAQ (Ticker Symbol: CFCM).

PREFERRED STOCK

Due to the relatively few shares outstanding (1987—8,244, 1986—8,637), a price for the preferred stock is occasionally quoted on the O-T-C market. The Company maintains an open offer to preferred shareholders to exchange their preferred stock for common stock on a share for share basis.

PRESIDENT'S LETTER

To Chief's Shareholders:

On June 28, 1988 Sunshine Mining Company (Chief's lessee under the Burgin and Unit Leases) presented your Management with Sunshine's comprehensive mining plan for the reopening of your Company's Burgin Mine. The capital cost to Sunshine for its New Burgin Project will be \$32.6 million. Sunshine's investment bankers have been instructed to proceed with the raising of the necessary funds which is expected to be completed by late this summer.

The Burgin proven and probable reserves currently in-place on Chief's property, as reported by Sunshine, are 1.2 million tons of ore containing 29 million ounces of silver, 502 million pounds of lead and 142 million pounds of zinc. Included in Sunshine's projected \$32.6 million cost is \$1.3 million budgeted for underground drilling from the 1050 foot level to further increase Burgin Mine reserves. Sunshine previously reported to your Company that such additional drilling could triple the proven and probable Burgin reserves which currently contain an in-place reserve value of over \$450 million.

A substantial portion of Sunshine's cost of the project has been allocated to the dewatering of the mine to the 1450 foot level before production begins and eventually to at least 1750 feet as future production necessitates. The amount budgeted for the dewatering is \$11.7 million including a \$1.7 million pilot dewatering project. The remaining \$19.6 million balance of the total projected \$32.6 million Burgin capital expenditure is allocated towards: general rehabilitation of Chief's Mill and the Number Two headframe and shaft; installation of a refrigeration system; installation of a ramp mining system; driving new drifts and other work related to the preparation of the Mine for production.

Sunshine's underground experience and expertise was the primary reason your Management chose Sunshine as its lessee for the Burgin Mine. Sunshine's development of its final mining plan has taken more time than was originally envisaged. However, your Management has taken advantage of this hiatus to acquire ownership of additional contiguous properties subject to the Unit Lease that include the projected northwest extension

of the Burgin orebody, the Tintic Standard Mine and the Ball Park area ore deposit.

Sunshine will now move forward to develop the Burgin as a major "three metal" mine i.e., silver, lead and zinc. Operations will, therefore, not be adversely affected to any significant extent by the decline in price in any single metal produced from the Burgin. At Sunshine's projected production rate of 850 tons per day and with the potential of exceeding that rate, royalties generated to Chief by the reopening of the Burgin Mine will dramatically increase your Company's royalty income.

Late in the fourth quarter of 1987, Sunshine resumed production of gold and silver ores from the Trixie Mine located on the property of a co-lessor of Chief under the Unit Lease. Production from the Trixie is presently 1900 tons per month and is expected to increase to 2500 tons per month in the third quarter of this year. Trixie ore has a limited market since Sunshine mines the ore only for use as smelter flux material. Trixie Mine royalty income is, as a result, not significant to your Company as compared to the potential royalty income from the Burgin Mine. During the first quarter of 1988, Chief received \$41,000 in earned royalties from Trixie shipments. Trixie ore during that period ranged between .10 to .45 ounces of gold and 2.84 to 6.05 ounces of silver per ton.

During 1987, Western Mining Corporation, through its subsidiary Grand Central Mining Company, expended \$1.9 million on the 5,000 acres under lease from Chief and several adjacent properties. Included in this total were expenditures for geological exploration and diamond and reverse circulation drilling. This program is continuing in accordance with Western's extensive Tintic Main District exploration plan. At least one diamond drillhole gained a gold intersection of economic grade, however, to date, Western has not reported any significant ore reserve potential. In addition to its current exploration activities, Western is evaluating the possibility of heap leaching several of the mine dumps in the district including dump material belonging to Chief. Your Management expects that Western will continue to expend

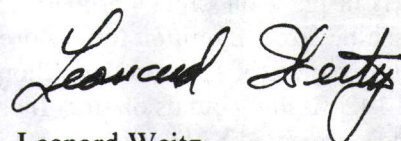
significant funds on exploration on your Company's properties throughout the year 1988.

In the Homansville area, comprising 2,000 acres of your Company's unleased properties, exploration work by Chief continued into the current year. This area includes the property of Central Standard Consolidated Mines in which Chief owns a 22.5% stock interest. Your Management is continuing its efforts to work out a possible joint venture arrangement with an operating mining company to move underground and drift into the target area by renovating Central Standard's Copper Leaf shaft. In additional exploration efforts, this fall, Chief will be surface drilling on 1,600 acres of claims south of the Burgin Mine where previous drilling indicated low grade silver values at a depth of 850 feet.

Based on Sunshine's current estimate, production from the Burgin Mine is not expected to be achieved for a minimum of two years. During the pre-production period, in addition to monitoring Sunshine's progress at the Burgin and the progress of Western under its exploration program, your Management will turn its efforts to the development of Chief's presently unleased properties. In addition, attention will be directed towards evaluating the effect of the resumption of mining operations at the Burgin, and possibly in the Main District, on your Company's extensive surface real estate holdings.

Chief continues to move towards the course charted by your Management, which is to have several diversified mining operations on your Company's properties generating income without Chief being subject to many of the risks inherent to the mining industry. We firmly believe that the development of the Burgin orebody will prove to be the major factor in triggering the exploitation of your Company's mineral assets for the benefit of the shareholders of Chief.

Yours very truly,



Leonard Weitz
President and Chairman
June 30, 1988

PLEASE REFER TO YOUR COMPANY'S 1987 FORM 10-K INCLUDED IN THIS REPORT FOR FURTHER DETAILS CONCERNING YOUR COMPANY'S PROPERTIES, LEASES, RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

Chief Consolidated Mining Company 1987 Form 10-K Report

This report to shareholders includes a complete copy of Chief Consolidated Mining Company's 1987 Form 10-K Annual Report to the Securities and Exchange Commission which contains among other information, a description of the Corporation's business, a discussion and analysis of financial condition and results of operations and financial statements. The Form 10-K report is included because of the similarity of the information required to be contained in the annual reports to shareholders and to the Securities and Exchange Commission, and in the interest of providing broad disclosure of the activities of Chief to those interested in its affairs. The report on Form 10-K has been neither approved nor disapproved by the Securities and Exchange Commission nor has the SEC passed upon its accuracy or adequacy.

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13
OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year
ended December 31, 1987

Commission file number 1-1761

CHIEF CONSOLIDATED MINING COMPANY

(Exact name of Registrant as specified in its charter)

ARIZONA

(State or other jurisdiction of
incorporation or organization)

87-0122295

(I.R.S. Employer
Identification No.)

866 Second Avenue, New York, N. Y.

(Address of principal executive offices)

10017

(Zip Code)

Registrant's telephone number, including area code

212-688-8130

Securities registered pursuant to Section 12 (b) of the Act:

Title of each class

Name of each exchange on
which registered

Common stock, \$0.50 par value

Pacific Stock Exchange

NASDAQ

Securities registered pursuant to Section 12 (g) of the Act:

None

(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 12 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X . No _____.

State the aggregate market value of the voting stock held by non-affiliates of the Registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within 60 days prior to the date of filing: \$24,090,304 as of March 3, 1988.

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date.

Class

Outstanding at March 3, 1988

Common stock, \$0.50 par value

3,441,472 shares

PART I

Item 1. Business

GENERAL

The Registrant, a Corporation formed under the laws of Arizona in 1909, is the owner of approximately 14,200 acres of patented mining ground in the Tintic Mining District, Juab and Utah Counties, Utah. The Registrant also owns unpatented mining claims covering approximately 1,500 acres adjacent to its patented properties and holds a minerals lease from the State of Utah (the "State") for an additional 532 acres. The Registrant holds stock interests in other companies owning mining properties, all of which are consolidated or unconsolidated subsidiaries of the Registrant.

The Registrant's mine office is located at Eureka, Juab County, Utah 84628. Its executive office is located at 866 Second Avenue, New York, N.Y. 10017. Registrant has a total of four employees, including one employee at the site of Registrant's properties in Utah.

Registrant leases mining rights to a total of approximately 11,437 acres under the following two separate leases, covering 6,437 acres, to Sunshine Mining Company ("Sunshine") and a lease of approximately 5,000 acres to Grand Central Mining Corporation, a wholly-owned subsidiary of Western Mining Corporation (U.S.A.), a wholly-owned subsidiary of Western Mining Corporation Holding Limited of Australia ("Western").

SUNSHINE LEASES

Burgin Lease

Under a Mining Lease and Agreement dated October 15, 1980 between the Registrant and Sunshine ("Sunshine's Burgin Lease"), Registrant leased to Sunshine the underground mining rights to approximately 1,387 acres of Registrant's property located in the East Tintic Mining District of Utah.

The Burgin property comprised that part of the Registrant's property initially under lease to Kennecott Corporation ("Kennecott") until its removal from the Unit Lease in June 1978 and its return to the Registrant. See "Unit Lease", below, for information concerning acquisition of the Unit Lease by Sunshine. Registrant's Burgin property, currently under lease to Sunshine, includes the Burgin Mine that was operated by Kennecott from 1966 to 1978. During that period, Kennecott mined over 1.8 million tons of ore that produced some 11 million ounces of silver, 348 million pounds of lead, 349 million pounds of zinc, 3 million pounds of cadmium and 1-1/2 million pounds of manganese.

A concentrating mill (the "Mill") was built by Kennecott on Registrant's Burgin property when Kennecott was lessee under the Unit Lease, and the concentrator was acquired by Registrant when the Burgin property was severed from the Unit Lease and returned to Registrant on June 15, 1978. Sunshine completely renovated and repaired the Mill and it is now available to process, with good reliability, precious metals or basic metals production at a 1,200 ton per day capacity.

Following are Burgin Mine ore reserves reported by Sunshine to Registrant in March, 1986. These reserves do not include possible additional tonnages delineated by Sunshine's 1987 Burgin drilling program:

<u>Reserve Classifications</u>	<u>Tons of Ore</u>	<u>Ounces of Silver</u>	<u>Pounds of Lead</u>	<u>Pounds of Zinc</u>	<u>Ounces of Gold</u>
Proven Ore Reserves	487,655	10,367,545	206,765,720	73,148,250	-
Probable Ore Reserves	<u>534,011</u>	<u>11,887,084</u>	<u>175,155,600</u>	<u>58,148,250</u>	<u>-</u>
Total Proven and Probable Ore Reserves	1,021,666	22,254,629	381,921,320	131,296,500	-
Indicated Ore Reserves (reserves not yet classified as proven or probable)	853,229	11,549,727	195,544,680	86,939,500	65,621

During 1987, Sunshine completed two diamond drill holes in the New Burgin Mine and reopened the Trixie Mine to provide flux material for Kennecott's smelter located at Magna, Utah. The two underground Burgin diamond drill holes, SB-16 and SB-17, were drilled through ore-grade mineralization localized immediately above the footwall plane of the East Tintic thrust fault.

Assay results for these two holes were as follows:

<u>Hole No.</u>	<u>Length of Intercept</u>	<u>Silver oz/ton</u>	<u>Lead Percent</u>	<u>Zinc Percent</u>
SB-16	56.9 ft.	5.62	10.77	2.38
SB-17	30.5 ft.	10.76	32.80	4.50

In October 1987 Sunshine and Kennecott signed a contract to purchase flux material from Sunshine's Trixie Mine operation. The shipments of flux ore commenced during the

first part of November and continued through the year. During 1987, 2,017 tons of ore was produced and shipped to Kennecott. Mine production came from four stopes in the Trixie, two on the 750 level and two on the 900 level. One additional stope on the 900 level is currently being developed.

The principal terms of Sunshine's Burgin Lease are as follows:

Term - Initial term of lease is for fifty years to 2030 with right of renewal by Sunshine. Sunshine at any time during the term of the lease may terminate the lease upon notice to Registrant.

Advance Royalties - Advance royalty of \$100,000 per annum to be paid by Sunshine to Registrant until such time as commercial production begins. In January 1988, Sunshine paid to Registrant the \$100,000 advance royalty for 1988. Advance royalties will be credited against future earned royalties on a formula basis as defined in the lease. See "Payments Related to Sunshine's Burgin Lease", below.

Earned Royalties - At such time that commercial production is begun by Sunshine, Registrant is to receive the greater of: (i) 7-1/2% of Sunshine's annual net smelter returns from production or (ii) \$150,000 per annum. See "Payments Related to Sunshine's Burgin Lease", below.

Minimum Work Requirements - Sunshine is required to perform annual minimum work requirements of \$100,000 on the leased property until such time as commercial production is begun. Amounts expended by Sunshine for such purpose in excess of \$100,000 in any year can be carried forward and applied against a subsequent year's work requirement. Sunshine has reported to Registrant that it has fulfilled its work requirements to date.

Payments Related to Sunshine's Burgin Lease - Under the terms of the June 1978 amendment to the Unit Lease, described below, so long as the Unit Lease remains in effect, Registrant is obligated to pay to Registrant's co-lessors under the Unit Lease, an amount equal to one-third of Registrant's royalties received under Sunshine's Burgin Lease. Such obligation arose as a result of the removal of a portion of Registrant's property, including the Burgin Mine, from the Unit Lease and its return to Registrant in 1978. The said co-lessors at the time retained a

royalty interest in the property and became entitled to receive an amount equal to one-third of any royalties that would become payable to Registrant under any new leasing arrangement for Registrant's Burgin property so long as the Unit Lease remains in effect.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Current Activities of Lessee", for a description of Sunshine's current activities on Registrant's Burgin property.

Unit Lease

In June 1983, Sunshine, by purchase, became the lessee under the Unit Lease. Under the original Unit Lease, Registrant, together with four other co-lessors, had leased a total of 10,711 acres to Kennecott, including 4,733 of Registrant's acres. In April 1983, Kennecott sold its interest as lessee in the Unit Lease to HMC Mining, Inc. and in June 1983, Sunshine acquired HMC Mining, Inc.

The Unit Lease property is located in the East Tintic Mining District of Utah. On June 15, 1978, 1,387 acres owned by Registrant that comprised a part of the properties under the Unit Lease were removed by amendment to the lease and returned to Registrant. These properties, referred to as the Burgin properties, were leased by Registrant to Sunshine on October 15, 1980, as is more fully described above. On October 26, 1982, the Unit Lease was further amended by the removal and return to Registrant of an additional 2,013 acres of Registrant's Homansville area properties that had been included in the Unit Lease. There now remain 7,311 acres that are subject to the terms of the Unit Lease, of which 5,050 are owned or controlled by Registrant. Included in the 5,050 acre total are 3,185 acres acquired from AMAX Arizona Inc. ("AMAX") in 1985 and 532 acres under lease from the State which were assigned to Registrant by AMAX in 1985. Under the provisions of the amendments to the Unit Lease, Registrant's remaining co-lessor under the Unit Lease continues to retain a 22.2% royalty interest in the Burgin and Homansville properties so long as the Unit Lease continues in effect.

The Unit Lease, as currently in effect, includes provisions for the following:

Term - The term of the Unit Lease is to 2006 unless sooner terminated by Sunshine. Sunshine has the right to renew for an additional fifty years to 2056.

Royalties - Monthly earned royalties payable by Sunshine to the lessors are 7-1/2% of Sunshine's monthly net smelter returns from the Unit Lease property. If in any year Sunshine's net smelter

returns exceed \$25 million, the royalty percentage will be increased to 10% of net smelter returns for such year (the "additional royalty"). Registrant's share of the said 7-1/2% and 10% earned royalties, including the increase resulting from Registrant's acquisition of AMAX's share in October, 1985, is as follows:

- (i) With respect to net smelter return royalties attributable to ore mined from Registrant's property, Registrant receives 77.3% of the overall royalty (equivalent to 5.8% of Sunshine's net smelter returns, or 7.7% if the 10% royalty is applicable).
- (ii) With respect to net smelter return royalties attributable to ore mined from the property of the co-lessors, Registrant receives 54.6% of the royalty (equivalent to 4.1% of Sunshine's net smelter returns, or 5.4% if the 10% royalty is applicable).

Under an agreement dated October 1, 1982, Registrant and its co-lessors under the Unit Lease agreed to a redivision of royalties between them if royalties payable by lessee under the Unit Lease during a lease year do not exceed \$56,000.

If such redivision provision is applicable, Registrant's share of said annual royalty is to be scaled down depending upon the amount of the total royalties. The maximum possible net reduction in Registrant's royalty income in any single year is \$6,000.

On October 4, 1985 AMAX sold all of its Tintic District property holdings and interest to Registrant. Under the agreement Registrant was assigned any amounts due AMAX from Registrant's Unit Lease co-lessor South Standard Mining Company ("South Standard") arising from a prior agreement between those companies. As a result of the latter agreement, Registrant will receive 16.5% of South Standard's royalty income over the next several years, the period being dependent upon the date of resumption of mining at the Trixie Mine. In no case, however, is Registrant entitled to such share of South Standard's royalties after April 30, 1993.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Current Activities of Lessees", for a description of Sunshine's current activities on the Unit Lease properties.

WESTERN LEASE

Under a Mining Lease and Agreement dated December 29, 1986 between the Registrant and Grand Central Mining Corporation, a wholly owned subsidiary of Western, Registrant leased to Western mining rights to approximately 5,000 acres of Registrant's property located in the Main Tintic Mining District of Utah.

Western Mining began its exploration program on Registrant's Main Tintic District on April 1, 1987. The exploration work included diamond drilling, reverse circulation drilling, surface geochemistry, geophysical survey and aerial photography. Western reported to Registrant that some anomalous gold and silver values were intersected in the reverse circulation drill holes but no intersections of economic grade were gained. A diamond drill hole gained a gold intersection of economic grade, but of unknown economic potential in the vicinity of a void which is most probably a former operating stope. The intersection was within an easterly steep dipping partially mineralized surface on the west side of the Mammoth-Chief ore run.

During the fourth quarter of 1987 a total of nine holes were completed wholly or partly on Registrant's property for a total of 4,377 feet drilled. All of the holes drilled were part of a follow up program designed to explore the remnant ore potential of the west side of the Mammoth-Chief ore run. Western has reported to Registrant that no mineralization of economic significance has been intersected in any of the holes drilled to date.

The principal terms of Western's Lease are as follows:

Term - Initial term of the lease is for twenty-five years to 2011 with right of renewal by Western for an additional twenty-five years. Western at any time during the term of the lease may terminate the lease upon notice to Registrant.

Advance Royalties - Advance royalty of \$55,000 per annum to be paid by Western to Registrant until such time as commercial production begins. In December 1987, Western paid to Registrant the \$55,000 advance royalty for 1988. Advance royalties will be credited against future earned royalties on a formula basis as defined in the lease.

Earned Royalties - At such time that commercial production is begun by Western, Registrant is to receive the greater of (i) a percentage of Western's annual net smelter returns from production scaled between 4% and 7-1/2% (depending upon the average silver price during the month to which the royalty payment relates) or (ii) \$100,000 per annum.

Minimum Work Requirements - Western is required to perform annual minimum work requirements of \$200,000 on the leased property or immediately adjacent property involved in the same project until such time as commercial production is begun. Amounts expended by Western for such purpose in excess of \$200,000 in any year can be carried forward and applied against a subsequent year's work requirement. The initial year of Western's \$200,000 minimum work requirement commenced January 1, 1987.

Termination of Mine Dumps and Mill Tailings Lease - The mining rights covered by the lease to Western include mine dumps and mill tailings formerly leased by Registrant to Diamond Bullion Corporation ("Diamond Bullion") under a lease dated May 15, 1985. Concurrent with the lease agreement between Western and Registrant on December 29, 1986, the Diamond Bullion lease was cancelled.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Current Activities of Lessees", for additional information concerning the Western lease.

Item 2. Properties

See "Item 1. - Business" for description of Registrant's properties located in the Tintic Mining District, Juab County, Utah and Registrant's mining leases with Sunshine and Western. See "Item 7. - Management's Discussion and Analysis of Financial Condition and Results of Operations - Current Activities of Lessees".

As a result of the removal of the Burgin properties from the Unit Lease and their return by Kennecott to Registrant in July 1978, Registrant owns the concentrator and other assets built or placed by Kennecott on Registrant's property. The concentrator was used by Kennecott to process silver, lead and zinc ores mined by Kennecott from the Burgin Mine during the years 1967 to 1978. In 1984, Sunshine completed its renovation of Registrant's concentrator which has a current milling capacity of 1,200 tons of ore per day and can be used to process precious metals and basic metals production.

Registrant retains the surface rights to its leased properties which are not required by the lessee for mining purposes. Registrant estimates that these surface holdings include approximately 5,000 to 6,000 buildable acres. However, there is no present demand for unimproved real estate in the area at this time.

Significance of Leases

Registrant anticipates that the income derived from its leases with Sunshine and Western will constitute substantially all of Registrant's sources of income during the years ending December 31, 1988 and 1989. Registrant receives advance royalties under Sunshine's Burgin Lease, earned or minimum royalties under Sunshine's Unit Lease and advance royalties under Western's lease. Accordingly, the development of the properties by Sunshine and Western under their respective leases is significant to Registrant. See "SUNSHINE LEASES" and "WESTERN LEASE", above, for information concerning the leases.

Item 3. Legal Proceedings

Registrant is defendant in a third party lawsuit involving ore shipments made by Registrant to the Midvale Smelter in Utah during three short periods, (1921-1925; 1929-1931; 1953-1957) when Registrant was an operating mining company. The plaintiff in the third party suit against Registrant, Sharon Steel Corporation, ("Sharon") is itself a defendant in an environmental lawsuit brought against it by the United States of America Under the provisions of the Comprehensive Environmental Response Compensation and Liability Act (CERCLA). Sharon's third party lawsuit against Registrant is an outgrowth of the Government's environmental action against Sharon. Registrant believes the third party suit filed by Sharon has no merit and has filed for summary judgement for dismissal in the U.S. District Court, District of Utah, Central Division on March 11, 1988.

Item 4. Submission of Matters to a Vote of Security Holders

A special Meeting in lieu of Annual Meeting of Shareholders of Registrant was held on December 8, 1987. Proxies for the meeting were solicited pursuant to Regulation A of the Securities Exchange Act of 1934.

PART II

Item 5. Market for the Registrant's Common Stock and Related Shareholder Matters

The principal market on which Registrant's shares of common stock are traded is the Pacific Stock Exchange.

High and Low Sales Prices of Registrant's Common Stock on the Pacific Stock Exchange For Each Quarterly Period During the Past Two Years are as follows:

<u>1987 Market Price</u>	<u>High</u>	<u>Low</u>
First quarter.....	8-1/8	6-3/8
Second quarter.....	10-5/8	8
Third quarter.....	9-3/4	8-3/4
Fourth quarter.....	9	6-1/4

1986 Market Price

First quarter.....	6-1/8	5-1/8
Second quarter.....	6-5/8	5
Third quarter.....	5-5/8	4-3/4
Fourth quarter.....	6-5/8	4-3/4

Approximate number of holders of record of Registrant's common stock as of March 3, 1988..... 3,000

Item 6. Selected Financial Data

	<u>1987</u>	<u>1986</u>	<u>1985</u>	<u>1984</u>	<u>1983</u>
Royalties..... \$	181,700	\$ 122,200	\$ 152,226	\$ 204,826	\$ 191,342
Total revenue.	234,625	142,997	170,140	226,633	198,546
Net loss.....	189,324	274,321	192,760	125,125	161,495
Loss per share	.05	.09	.06	.04	.05
Total assets..	3,821,380	2,603,654	2,813,383	2,399,418	2,328,152
Long-term liabilities.	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

No dividends were declared during the five year period ended December 31, 1987.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

FINANCIAL CONDITION

The ratio of Registrant's current assets to current liabilities as at December 31, 1987 was 53 to 1. Registrant anticipates that net revenues from its current mining leases, together with its working capital, will provide sufficient liquid funds to enable Registrant to pay its operating expenses during 1988 and 1989. Each of Registrant's mining leases with Sunshine and Western

provides that the lessee may, upon short notice, terminate the mining lease. Therefore, Registrant's liquid position and its ability to meet its operating expenses in the future would be adversely affected if either of the Sunshine Leases or if the Western Lease were terminated. See "Current Activities of Lessees" below for a description of the activities now being conducted by Sunshine and Western on the leased properties.

RESULTS OF OPERATIONS

During the year ended December 31, 1987, Registrant's royalties were \$181,700 as compared to royalties of \$122,200 during the year ended December 31, 1986. Included in the royalties for the years ended December 31, 1987 and 1986 were advanced royalties of \$100,000 under the Sunshine Burgin Lease. Also included in Registrant's royalties during the year ended December 31, 1987 was a \$55,000 advanced royalty under the Western lease which took effect January 1, 1987.

Registrant's net loss for the year 1987 was \$189,324 as compared to a net loss of \$274,321 for the year 1986. The decreased loss during 1987 was due primarily to the increase in royalty income during the year 1987 as compared to 1986.

Registrant's net loss for the year 1986 was \$274,321 as compared to a net loss of \$192,760 for the year 1985. The increased loss during 1986 was due primarily to the decrease in royalty income during the year 1986 as compared to 1985 and surface exploratory drilling costs during the year 1986 not incurred in 1985.

CURRENT ACTIVITIES OF LESSEES

The following is a summary of the latest developments at the properties in which Registrant has an interest as lessor in the Tintic Mining District of Utah as reported by Sunshine, Registrant's lessee under the Burgin and Unit Leases and Western, under the Main Tintic District Lease.

SUNSHINE MINING COMPANY

Burgin Lease

In January, 1988 an analysis of development, mining and ore transportation alternatives was completed by Sunshine for the New Burgin Project. Sunshine reported to Registrant that results of this analysis indicated that the most cost-effective means of developing the orebody would be to rehabilitate the Burgin No. 2 Shaft to approximately the 950 level, cut a new station, and connect this level with the orebody via a 10 degree ramp driven in the hangingwall. Mining of the ore would be by underhand cut-and-fill methods. Given these criteria, detailed estimates of capital and operating costs are being developed by Sunshine. Also completed by Sunshine in January, 1988 were cost estimates for tailings disposal, sandfill system, and surface and underground rehabilitation work together with layouts for the ramp and crosscut system and primary mine ventilation.

Unit Lease

Sunshine has reported to Registrant its intention to increase production of precious metals fluxing ore at the Trixie Mine from the present 1500 tons per month to 2500 tons per month by the beginning of the second quarter, 1988.

WESTERN MINING CORPORATION

Main Tintic District Lease

From inception in 1987 through January 1, 1988 Western has expended a total of \$1.9 million on Registrant's property, and properties adjacent to Registrant's holdings in the Main Tintic District. Included in this total are expenditures for geological exploration, geochemical sampling, geophysical surveys, and diamond and reverse circulation drilling. Reverse circulation drilling continued through the first quarter of 1988 to test geological and geophysical targets, and metallurgical test work is now being undertaken on samples obtained from mine dumps. The possibility of shipping a small tonnage of high grade mine dump material to a custom smelter is also currently being investigated. Western has reported to Registrant that surface exploration of the Main Tintic District will be continued.

HOMANSVILLE AREA PROPERTIES (Owned by Registrant and Unleased)

The Homansville area is comprised of approximately 3,000 acres of unleased property. During 1986 and 1987 two angle drillholes from the surface were drilled by Registrant in the Homansville area of Registrant's property. The drillholes' objective was to attempt to determine the width of the mineralization of a prior drillhole (ET-148) by Kennecott in 1974 when Kennecott leased the property from Registrant. Drillhole ET-148 intersected 55 feet of gold mineralization between 1,132 and 1,187 feet assaying at an average of one-third ounce of gold per ton. Registrant's initial drillhole (CFC-1) was lost in fractured ground 65 feet above the ET-148 mineralization intersection. The bottom four foot segment of drillhole CFC-1, before it had to be terminated, intersected mineralization that assayed at 0.14 ounces of gold and 0.04 ounces of silver per ton. Drillhole CFC-2 had to be terminated due to fractured ground before its entry into the projected mineralized area. Registrant is currently studying its alternatives for future exploration in the area, including the possibility of drilling a third drillhole in a further attempt to delineate the extent of the mineralization discovered by Kennecott's prior drilling.

Item 8. Financial Statements and Supplementary Data

Consolidated Balance Sheets at December 31, 1987 and 1986.

Statements of Consolidated Operations for the Three Years Ended December 31, 1987.

Statements of Changes in Consolidated Financial Position for the Three Years Ended December 31, 1987.

Statements of Shareholders' Equity for the Three Years Ended December 31, 1987.

Notes to Consolidated Financial Statements.

Schedules:

I - Marketable Securities - Other Security Investments, December 31, 1987.

V - Property, Plant and Equipment for the Three Years Ended December 31, 1987.

VI - Accumulated Depreciation and Depletion of Property, Plant and Equipment for the Three Years Ended December 31, 1987.

Registrant as part of its 10-K Reports as follows:
Amendments 1968 through 1978 - 1980 10-K Report;
October 26, 1982 Amendment - 1982 10-K Report.

Agreement dated October 1, 1982 between Registrant and its co-lessors under the Unit Lease. Registrant hereby incorporates by reference the said Agreement, a copy of which was filed with the Commission by Registrant as part of its 1982 10-K Report.

Agreement (signed by Registrant March 25, 1983) between Registrant, its co-lessors under the Unit Lease, and Kennecott. Registrant hereby incorporates by reference the said Agreement, a copy of which was filed with the Commission by Registrant as part of its 1983 10-K Report.

- C. Western Lease - Mining Lease and Agreement dated December 29, 1986 between Registrant and Grand Central Mining Corporation, a wholly-owned subsidiary of Western Mining Corporation (U.S.A.), a wholly-owned subsidiary of Western Mining Corporation Holdings Limited of Australia: Registrant hereby incorporates by reference the Western Lease agreement dated December 29, 1986, copies of which were filed with the Commission by Registrant as part of its Form 8-K Report dated January 6, 1987.

"(11)" Not applicable

"(12)" Not applicable

"(13)" Not yet furnished to security holders as of filing date of this Report.

"(18)" Not applicable

"(19)" Not applicable

"(22)" Not applicable

"(23)" Not applicable

"(24)" Not applicable

"(25)" Not applicable

"(28)" Not applicable

"(29)" Not applicable

(b) Reports filed on Form 8-K:
None

(c) See "(a)" above.

(d) The Financial Statements described at "(a)(1) and (a)(2)" above are annexed to this Report.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHIEF CONSOLIDATED MINING COMPANY

By /s/ Leonard Weitz
Leonard Weitz, President and a Director

Date March 29, 1988

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By /s/ Edward R. Schwartz
Edward R. Schwartz, Secretary-Treasurer
and a Director

Date March 29, 1988

By /s/ Bradbury K. Thurlow
Bradbury K. Thurlow, a Director

Date March 29, 1988

By /s/ James Callery
James Callery, a Director

Date March 29, 1988

One World Trade Center
New York, New York 10048-0601
(212) 669-5000
International Telex 66272

OPINION OF INDEPENDENT PUBLIC ACCOUNTANTS

Chief Consolidated Mining Company:

We have examined the consolidated financial statements and supplemental schedules of Chief Consolidated Mining Company and consolidated subsidiary, listed in Item 8 herein. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such consolidated financial statements present fairly the financial position of the companies at December 31, 1987 and 1986 and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1987, in conformity with generally accepted accounting principles applied on a consistent basis. Also, in our opinion, such supplemental schedules, when considered in relation to the basic consolidated financial statements, present fairly in all material respects the information shown therein.

Deloitte Haskins + Sells

March 25, 1988

CHIEF CONSOLIDATING MINING COMPANY
AND CONSOLIDATED SUBSIDIARY

CONSOLIDATED BALANCE SHEETS, DECEMBER 31, 1987 AND 1986

	-- A S S E T S --		L I A B I L I T I E S A N D -- S H A R E H O L D E R S ' E Q U I T Y --		
	1987	1986	1987	1986	
CURRENT ASSETS:					
Cash.....	\$ 86,056	\$ 39,204			\$ 26,207 \$ 26,607
U.S. Treasury Bills - at cost which approximates market value.....	1,296,461	122,982			
Accounts receivable (less allowance for bad debts of \$0).....	7,874	6,314			
Mortgages receivable.....	651	1,321			55,000 55,000
Total current assets.....	1,391,042	169,821			
INVESTMENTS:					
Affiliates:					
Common stocks - at cost less valuation reserve of \$11,359 (Note 1).....	128,551	128,551			4,122 4,318
Advances.....	21,458	19,136			
Other security investments - at cost or less (Schedule I).....	16,875	16,875			
Total investments.....	166,884	164,562			
FIXED ASSETS - At cost (Note 1 and Schedules V and VI):					
Plant and equipment (less accumulated deprecia- tion: 1987 - \$52,330; 1986 - \$50,730).....	2,826	4,426			1,720,736 1,607,390
Mining claims and property (less accumulated depletion: \$1,927,799).....	2,210,917	2,210,917			4,061,524 2,767,224
Fixed assets - net.....	2,213,743	2,215,343			(2,046,209) (1,856,885)
OTHER ASSETS:					
Mortgages receivable.....	1,800	8,195			3,740,173 2,522,047
Notes receivable - related parties (Note 2).....	42,500	42,500			
Other.....	5,411	3,233			
Total other assets.....	49,711	53,928			
TOTAL.....	\$3,821,380	\$2,603,654	TOTAL.....		\$3,821,380 \$2,603,654

See Notes to Consolidated Financial Statements.

**CHIEF CONSOLIDATING MINING COMPANY
AND CONSOLIDATED SUBSIDIARY**

**STATEMENTS OF CONSOLIDATED OPERATIONS
FOR THE THREE YEARS ENDED DECEMBER 31, 1987**

	1987	1986	1985
REVENUE:			
Royalties.....	\$181,700	\$122,200	\$152,226
Interest.....	52,925	20,797	17,914
Total.....	234,625	142,997	170,140
EXPENSES:			
General and administrative.....	377,735	342,809	309,616
Exploration drilling costs.....		32,123	
Royalties.....	31,627	22,667	34,278
Depreciation.....	1,600	1,600	500
Taxes other than income taxes.....	12,987	18,119	18,506
Total.....	423,949	417,318	362,900
NET LOSS.....	<u>\$189,324</u>	<u>\$274,321</u>	<u>\$192,760</u>
LOSS PER SHARE (Note 6).....	<u>\$.05</u>	<u>\$.09</u>	<u>\$.06</u>

See Notes to Consolidated Financial Statements.

CHIEF CONSOLIDATING MINING COMPANY
AND CONSOLIDATED SUBSIDIARY

STATEMENTS OF CHANGES IN CONSOLIDATED FINANCIAL POSITION
FOR THE THREE YEARS ENDED DECEMBER 31, 1987

	1987	1986	1985
SOURCE OF CASH AND CASH EQUIVALENTS:			
Issuance of common stock and conversion of pre-ferred stock to common stock (Notes 3 and 4)....	\$1,407,450	\$ 10,475	\$590,211
Decrease in accounts receivable.....		6,572	
Decrease in mortgages receivable.....	7,065	1,090	1,485
Repayment of note receivable - related party (Note 2).....			
Increase in other current liabilities.....			16,725
Deferred revenue - royalties (Note 1).....		55,000	
Other - net.....			
Total.....	1,414,515	73,137	608,421
APPLICATION OF CASH AND CASH EQUIVALENTS:			
Net loss.....	189,324	274,321	192,760
(Add) Deduct - items not requiring the outlay of cash and cash equivalents:			
Depreciation (Note 1).....	(1,600)	(1,600)	(500)
Cash and cash equivalents used in operations.....	187,724	272,721	192,260
Purchase of mining claims and property.....			150,100
Increase in investments of affiliates (Note 1)....			30,400
Increase in other security investments.....		16,875	
Increase in accounts receivable.....	1,560		588
Increase in advances to affiliates.....	2,322	305	1,956
Issuance of note receivable - related party (Note 2).....			
Decrease in other current liabilities.....	400	783	
Decrease in royalties payable (Note 1).....			
Conversion of preferred stock to common stock....		100	211
Other - net.....	2,178	52	472
Total.....	194,184	290,836	375,987
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS....	\$1,220,331	\$(217,699)	\$232,434
CASH AND CASH EQUIVALENTS:			
Beginning of year:			
Cash and cash equivalents.....	\$ 162,186	\$ 379,885	\$147,451
End of year:			
Cash.....	86,056	39,204	33,186
U.S. Treasury bills.....	1,296,461	122,982	346,699
Total.....	1,382,517	162,186	379,885
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS....	\$1,220,331	\$(217,699)	\$232,434

See Notes to Consolidated Financial Statements.

CHIEF CONSOLIDATING MINING COMPANY
AND CONSOLIDATED SUBSIDIARY

STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE THREE YEARS ENDED DECEMBER 31, 1987

	PREFERREDSTOCK.....	COMMON STOCK.....		CAPITAL SURPLUS	DEFICIT
	NUMBER OF SHARES	AMOUNT	NUMBER OF SHARES	AMOUNT		
BALANCE, JANUARY 1, 1985.....	9,258	\$4,629	3,059,658	\$1,529,829	\$2,244,099	\$(1,389,804)
ISSUANCE OF COMMON STOCK (Note 3).....			152,500	76,250	513,750	
ISSUANCE OF COMMON STOCK FOR PREFERRED STOCK (Note 3).....	(421)	(211)	421	211		
NET LOSS.....						(192,760)
BALANCE, DECEMBER 31, 1985.....	8,837	4,418	3,212,579	1,606,290	2,757,849	(1,582,564)
ISSUANCE OF COMMON STOCK (Note 3).....			2,000	1,000	9,375	
ISSUANCE OF COMMON STOCK FOR PREFERRED STOCK (Note 3).....	(200)	(100)	200	100		
NET LOSS.....						(274,321)
BALANCE, DECEMBER 31, 1986.....	8,637	4,318	3,214,779	1,607,390	2,767,224	(1,856,885)
ISSUANCE OF COMMON STOCK (Note 3).....			226,300	113,150	1,294,300	
ISSUANCE OF COMMON STOCK FOR PREFERRED STOCK (Note 3).....	(393)	(196)	393	196		
NET LOSS.....						(189,324)
BALANCE, DECEMBER 31, 1987.....	<u>8,244</u>	<u>\$4,122</u>	<u>3,441,472</u>	<u>\$1,720,736</u>	<u>\$4,061,524</u>	<u>\$(2,046,209)</u>

See Notes to Consolidated Financial Statements.

CHIEF CONSOLIDATED MINING COMPANY
AND CONSOLIDATED SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

Chief Consolidated Mining Company (the "Company") is a corporation formed under the laws of Arizona. The accompanying consolidated financial statements include the accounts of the Company and Eagle & Blue Bell Mining Company, a 99 percent owned subsidiary.

The Company's carrying value of its three investments in common stocks of affiliates (unconsolidated subsidiaries), all of which are presently inactive and none of which are significant subsidiaries, is approximately equal to its equity in the net assets thereof. The Company also has an equity investment in another inactive company. In the opinion of management, there has been no permanent impairment of the Company's net investment in these unconsolidated subsidiaries and equity investee.

Fixed Assets

The Company is the owner of approximately 14,200 acres of patented mining ground in the Tintic Mining District, Juab and Utah Counties, Utah and unpatented mining claims covering approximately 1,500 acres adjacent to its patented properties and holds a minerals lease from the State of Utah for an additional 532 acres. The Company leases mining rights to 11,437 acres of its patented mining ground under three separate agreements: two with Sunshine Mining Company ("Sunshine") and one with Grand Central Mining Corporation, an indirect wholly-owned subsidiary of Western Mining Corporation Holding Limited of Australia ("Western").

Unit Lease

Under a Unit Lease and Agreement dated August 1956 (the "Unit Lease"), the Company, together with four other co-lessors, leased a total of 10,711 acres to Kennecott Corporation ("Kennecott") including 4,733 of the Company's acres.

1,387 acres, including the Burgin Mine, were removed from the Unit Lease by amendment in 1978 and leased by the Company to Sunshine under a mining lease dated October 15, 1980. See "Sunshine's Burgin Lease" below.

2,013 acres, including the Homansville Fault area, were removed from the Unit Lease by amendment in October 1982.

In December 1982, Kennecott ceased mining activities on the remaining lease property under the Unit Lease and continued its production from the leased property using ore previously mined and stockpiled. In April 1983, Kennecott sold its interest as lessee in the Unit Lease to HMC Mining, Inc. ("HMC") and in June 1983, Sunshine acquired HMC and became the lessee under the Unit Lease. The term of the Unit Lease is to 2006 unless sooner terminated by Sunshine. Sunshine has the right to renew the lease for an additional fifty years to 2056.

In October 1985, the Company acquired from AMAX Arizona, Inc. 3,185 acres of mining property and all of its interest in the Unit Lease and 532 acres under lease from the State of Utah which were assigned to the Company by AMAX Arizona Inc.

Sunshine's Burgin Lease

On October 15, 1980, the Company leased the aforementioned acres including the Burgin Mine to Sunshine. The Lease is for an initial term of fifty years to 2030 unless sooner terminated by Sunshine. Sunshine has the right to renew the lease.

Diamond's Mine Dumps and Mill Tailings Lease

On May 15, 1985, the Company leased to Diamond Bullion Corporation ("Diamond") its surface mine dumps and tailings for the limited purpose of recovering and extracting all valuable products contained in the material. On December 29, 1986, concurrent with a lease agreement with Western (see "Western Lease", below), the lease was terminated.

Western Lease

On December 29, 1986, the Company leased to Western the underground mining rights to approximately 5,000 acres of property in the Main Tintic Mining District of Utah. The lease is for a term of twenty-five years unless terminated by Western. The mining rights covered by the lease include mine dumps and mill tailings formerly leased to Diamond.

Depletion and Depreciation

From January 1, 1966 to July 15, 1978, the Company made provisions for cost depletion based on production from the Burgin Mine by Kennecott; no mineral depletion provisions have been made subsequent to July 15, 1978 as a result of Kennecott's termination of mining from the Burgin Mine and the removal of the Burgin Mine from its lease. Sunshine has not initiated production from the Burgin Mine.

Provision for depreciation has been computed at various straight-line rates, ranging from 3 to 20 percent, based on the estimated useful lives of the assets.

Recognition of Revenue

Unit Lease

Under the current provisions of the Unit Lease, monthly earned royalties payable by Sunshine to the lessors are to equal 7 1/2 percent of Sunshine's monthly net smelter returns from the leased property.

If in any year Sunshine's net smelter returns exceed \$25 million, the royalty percentage will be increased to 10 percent of net smelter returns for such year (the "additional royalty"). The Company's share of such royalties is 5.8 percent of Sunshine's net smelter returns (7.7 percent if the 10 percent royalty is applicable) on ore mined from the Company's property and 4.1 percent of Sunshine's net smelter returns (5.4 percent if the 10 percent royalty is applicable) on ore mined from the property of co-lessors. Under an agreement dated October 1, 1982, the Company and its co-lessors under the Unit Lease agreed to a redivision of royalties between them if royalties payable by lessee under the Unit Lease during a lease year do not exceed \$56,000. If such redivision provision is applicable, the Company's share of said annual royalty is to be scaled down depending upon the amount of the total royalties. The maximum possible reduction in the Company's royalty income in any single year is \$6,000.

During the year ended December 31, 1985, the Company's royalties from Sunshine under the Unit Lease totaled \$45,141.

Sunshine's Burgin Lease

Sunshine's Burgin Lease provides that Sunshine pay the Company advance royalties of \$100,000 per annum until Sunshine begins commercial production of ore. The 1985, 1986 and 1987 royalty payments were received and recognized in the respective years.

Once commercial production has begun the Company will receive the greater of 7-1/2 percent of Sunshine's annual net smelter returns from production or \$150,000 per annum. Advance royalties will be credited against future earned royalties on a formula basis as defined in the lease. Under the terms of the June 1978 amendment to the Unit Lease, so long as the Unit Lease remains in effect the Company is obligated to pay an amount equal to one-third of the royalties from Sunshine's Burgin Lease to the Company's co-lessors under the Unit Lease.

Diamond's Mine Dumps and Mill Tailings Lease

As a result of the termination of Diamond's lease, the Company received shares of Diamond's successor corporation, Centurion Mines Corporation, with a market value of \$16,875, included in other security investments at December 31, 1986. Such amount was recognized as royalties in 1986.

Western Lease

Western's lease provides that Western pay the Company advance royalties of \$55,000 per annum until such time as commercial production begins. In December 1986 and 1987, the Company received advance royalties of \$55,000 which was recorded as deferred revenue to be recognized in 1987 and 1988, respectively.

At such time that commercial production begins, the Company is to receive the greater of a scaled percentage (between 4 percent and 7-1/2 percent based upon average silver prices) or \$100,000 per annum. Advance royalties will be credited against future earned royalties on a formula basis defined in the lease.

Exploration Drilling Costs

Exploration drilling costs are expensed as incurred.

2. NOTE RECEIVABLE - RELATED PARTY

In September 1981, the Board of Directors approved a loan of \$42,500 to an officer-director of the Company. In May 1986, the Board of Directors extended the maturity date of the note for five years from September 30, 1986 to September 30, 1991. The note bears interest at the variable rate of interest that would be imputed under the Internal Revenue Service Code. The note is collateralized by a stock certificate representing 20,000 shares of the Company's common stock. As of December 31, 1987, the market value of the collateral exceeded the face value of the note.

3. CAPITAL STRUCTURE

The Board of Directors of the Company has authorized the issuance, at the stockholders' option, of common stock in exchange for preferred stock on a share for share basis. The preferred shares obtained in the exchange have been retired.

The shares of preferred stock and common stock of the Company are equal in the right to receive dividends and in all other respects except that upon liquidation the preferred shares are entitled to a preferential payment of \$.50 per share.

On September 26, 1985, the Company sold, for cash, 50,000 shares of unregistered common stock at \$4.00 per share. The mean market price on the Pacific Stock Exchange for the Company's common stock on September 25, 1985 was \$5.063 per share.

On October 7, 1985, the Company sold, for cash, 100,000 shares of unregistered common stock to an investor at \$4.00 per share. In connection with that transaction, the Company granted an option to purchase an additional 200,000 shares at \$5.46 per share.

The mean market price on the Pacific Stock Exchange for the Company's common stock on October 4, 1985 was \$5.44 per share. In connection with this transaction, 2,500 shares of unregistered common stock were issued, along with a cash payment of \$10,000, as brokerage commission.

On June 30, 1986, the Company entered into an agreement pursuant to which it issued 2,000 shares of unregistered common stock for corporate relations services rendered during the year ended December 31, 1986.

On May 19, 1987, the Company sold, for cash 200,000 shares of unregistered common stock to an investor at \$6.50 per share. In connection with that transaction, the Company granted an option to purchase an additional 200,000 shares at \$9.52 per share. The mean market price on the Pacific Stock Exchange for the Company's common stock on May 18, 1987 was \$9.13 per share. In connection with this transaction, 5,000 shares of unregistered common stock were issued, along with a cash payment of \$32,500, as brokerage commission.

On June 8, 1987, the Company sold, for cash 19,300 of unregistered common stock to an investor at \$6.50 per share. In connection with that transaction, the Company granted an option to purchase an additional 19,300 shares at \$9.52 per share. The mean market price on the Pacific Stock Exchange for the Company's common stock on June 4, 1987 was \$9.13 per share.

On June 30, 1987, the Company entered into an agreement pursuant to which it issued 2,000 shares of unregistered common stock for corporate relations services rendered during the year ended December 31, 1987.

The Company has consummated the above limited offerings and sales of its common stock in transactions exempt from registration under Regulation D promulgated under the Securities Act of 1933. The shares purchased in the offerings cannot be resold without registration under such Act or an exemption therefrom. Under current Securities and Exchange Commission regulations, unregistered shares cannot be resold until at least two years after their purchase.

The purpose of the offerings was to raise additional working capital for the Company.

4. STOCK OPTIONS

In June 1982, the shareholders approved an Incentive Stock Option Plan (the "Plan") for key employees which would provide for the Board of Directors to grant options to purchase up to 100,000 shares of the Company's common stock, with a maximum grant to purchase 40,000 shares for each key employee. The option price for the shares under option shall be not less than 100 percent of the market price of the stock at the date of grant.

The Board of Directors granted options under the Plan to each of the two officer-directors of the Company as follows: 13,000 shares each in 1981 and 7,000 shares each in 1982, all at \$7.56 per share. In May 1984, the Board of Directors issued options to purchase 10,000 shares to its President and 5,000 shares to each of its two non-officer employees at \$8.625 per share. In May 1985, the Board of Directors issued options to purchase 5,000 shares to each of its non-officer employees at \$5.125 per share. In May 1986, the Board of Directors issued options to purchase 17,500 shares to each of the two officer-directors at \$5.625 per share. In May 1987, the Board of Directors issued stock options to purchase 2,500 shares to each of the two officer-directors at \$6.50 per share. At December 31, 1987, options to purchase 50,000 shares under the Plan were outstanding.

In June 1983, the shareholders also approved the issuance of non-qualified stock options to purchase 20,000 shares to each of three outside directors at \$7.56 per share. In May 1984, the Board of Directors approved the grant of nonqualified stock options to purchase 10,000 shares to each of the Company's then five directors at \$8.625 per share. In May 1985, options for 40,000 shares were re-issued at an option price of \$5.125. In 1984, one of the directors died and, accordingly, such Director's 20,000 options expired in 1985 (one year after date of death). In May 1986, the Board of Directors approved the grant of nonqualified stock options to purchase 40,000 shares to each of the outside directors and 20,000 shares to each of the officer-directors, all at \$5.625 per share. At December 31, 1987, nonqualified stock options to purchase a total of 160,000 shares were outstanding.

5. INCOME TAXES

Net operating loss carryforwards are available for Federal income tax purposes for fifteen years from the year of loss, in the following approximate amounts:

<u>Year of Loss</u>	<u>Amount</u>
1976.....	\$ 100,600
1977.....	133,200
1978.....	76,200
1979.....	19,900
1980.....	80,100
1983.....	161,500
1984.....	246,800
1985.....	192,800
1986.....	274,300
1987.....	189,300
Total.....	<u>\$1,474,700</u>

6. LOSS PER SHARE

Loss per share amounts are based on the weighted average number of shares of preferred and common stock outstanding during each year. No effect has been given to shares under option in the computation of loss per share because they would be antidilutive to the computation.

7. LEASE COMMITMENT

Rent expense for office space amounted to approximately \$25,830, \$24,745 and \$24,772 for 1987, 1986 and 1985, respectively. The minimum rental commitment required to be paid as of December 31, 1987 under the Company's office lease, which expires in 1989 is as follows:

<u>Year</u>	<u>Amount</u>
1988	\$22,422
1989	11,211

The lease agreement contains escalation clauses based principally on the operating expenses of the lessor.

CHIEF CONSOLIDATING MINING COMPANY
AND CONSOLIDATED SUBSIDIARY

MARKETABLE SECURITIES - OTHER SECURITY INVESTMENTS,
 DECEMBER 31, 1987

NAME AND ISSUER AND TITLE OF EACH ISSUE	PRINCIPAL AMOUNT OF BILLS AND NUMBER OF COMMON SHARES	COST OF EACH ISSUE	MARKET VALUE OF EACH ISSUE AT BALANCE SHEET DATE	AMOUNT AT WHICH EACH PORTFOLIO OF EQUITY SECURITY ISSUES AND EACH OTHER SECURITY ISSUE CARRIED IN THE BALANCE SHEET
United States Government	\$1,325,000	\$1,296,461	\$1,302,469	\$1,296,461
A. J. Venture.....	33,000	16,500	-	-
Centurion Mines.....	67,500	16,875	16,875	16,875
		<u>\$1,329,836</u>	<u>\$1,319,344</u>	<u>\$1,313,336</u>

CHIEF CONSOLIDATING MINING COMPANY
AND CONSOLIDATED SUBSIDIARY

PROPERTY, PLANT AND EQUIPMENT
FOR THE THREE YEARS ENDED DECEMBER 31, 1987

DESCRIPTION	BALANCE AT BEGINNING OF YEAR	ADDITIONS	RETIRE- MENTS OR SALES	BALANCE AT END OF YEAR
1985:				
Machinery and equipment	\$ 16,538	\$	\$	\$ 16,538
Buildings.....	38,618			38,618
TOTAL.....	\$ 55,156	\$	\$	\$ 55,156
Mining claims and pro- perty (Note).....	\$3,988,616	\$ 150,100	\$	\$4,138,716
1986:				
Machinery and equipment	\$ 16,538	\$	\$	\$ 16,538
Buildings.....	38,618			38,618
TOTAL.....	\$ 55,156	\$	\$	\$ 55,156
Mining claims and pro- perty (Note).....	\$4,138,716	\$	\$	\$4,138,716
1987:				
Machinery and equipment	\$ 16,538	\$	\$	\$ 16,538
Buildings.....	38,618			38,618
TOTAL.....	\$ 55,156	\$	\$	\$ 55,156
Mining claims and pro- perty (Note).....	\$4,138,716	\$	\$	\$4,138,716

NOTE: Included in mining claims and property are capitalized development costs in the amount of \$326,090.

CHIEF CONSOLIDATING MINING COMPANY
AND CONSOLIDATED SUBSIDIARY

ACCUMULATED DEPRECIATION AND DEPLETION
 OF PROPERTY, PLANT AND EQUIPMENT
 FOR THE THREE YEARS ENDED DECEMBER 31, 1987

DESCRIPTION	BALANCE AT BEGINNING OF YEAR	CHARGED TO INCOME	RETIRE- MENTS, RENEWALS, AND REPLACE- MENTS	BALANCE AT END OF YEAR
1985:				
Accumulated depreciation:				
Machinery and equipment	\$ 16,011	\$ 200	\$	\$ 16,211
Buildings.....	32,619	300		32,919
TOTAL.....	<u>\$ 48,630</u>	<u>\$ 500</u>	<u>\$</u>	<u>\$ 49,130</u>
Accumulated depletion - mining claims and property.....	<u>\$1,927,799</u>			<u>\$1,927,799</u>
1986:				
Accumulated depreciation:				
Machinery and equipment	\$ 16,211	\$ 327	\$	\$ 16,538
Buildings.....	32,919	1,273		34,192
TOTAL.....	<u>\$ 49,130</u>	<u>\$ 1,600</u>	<u>\$</u>	<u>\$ 50,730</u>
Accumulated depletion - mining claims and property.....	<u>\$1,927,799</u>			<u>\$1,927,799</u>
1987:				
Accumulated depreciation:				
Machinery and equipment	\$ 16,538		\$	\$ 16,538
Buildings.....	34,192	\$ 1,600		35,792
TOTAL.....	<u>\$ 50,730</u>	<u>\$ 1,600</u>	<u>\$</u>	<u>\$ 52,330</u>
Accumulated depletion - mining claims and property.....	<u>\$1,927,799</u>			<u>\$1,927,799</u>

Board of Directors

James Callery

*Investments (Principally Oil,
Gas and Farming)*

Paul Hines

Chief Financial Officer of WSGP International, Inc.

Edward R. Schwartz

Treasurer and Secretary of Chief; Sales Consultant

Bradbury K. Thurlow

Financial Consultant

Leonard Weitz

Chairman of the Board and President of Chief

Executive Officers

Leonard Weitz

Chairman of the Board and President

Edward R. Schwartz

Treasurer and Secretary

Manager Mining Properties

Adren Underwood

TRANSFER AGENT & REGISTRAR

FIRST INTERSTATE BANK OF CALIFORNIA

TRUST DIVISION

26610 West Agoura Road

Calabasas, California 91302

AUDITORS

Deloitte Haskins & Sells

One World Trade Center

New York, N.Y. 10048

ANNUAL MEETING OF SHAREHOLDERS

The 1988 meeting of shareholders will be held later this year. Shareholders will receive notice and proxy material prior to the meeting.

RECEIVED
JUL 18 1988

DIVISION OF
OIL, GAS & MINING